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Poland

Agricultural Situation

Polish Farmer Incomes After EU Accession

2004

Approved by:

Wayne Molstad
US Embassy

Prepared by:

Charles L. Rush
U.S. Embassy

Report Highlights:

Incomes in Poland's agricultural sector are expected to rise at least 35 percent after EU accession. There are several factors which are expected to contribute to this rise including EU financial assistance to modernize farm operations and increases in production and sales of commodities.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Warsaw [PL1]
[PL]

According to an article in the April 20, 2004, issue of *Rzeczpospolita*, one of Poland's two major daily newspapers, incomes will rise upwards of 35 percent in rural areas after EU accession. A separate report prepared by the European Commission (EC), "The Common Agricultural Policy, Medium-Term Prospects For Agricultural Markets and Income In The European Union 2003-2010," projects that on average incomes will rise 35 percent by 2010.

The newspaper article suggests that incomes of at least 7 million Poles living on farms will increase about 35 percent. In addition, the article projects that Poland's farmers are expected to be the greatest beneficiaries of EU accession. Further, the article suggests that the improvement in farmer incomes is due in large part to direct payments and other financial assistance provided by the EU. Farmers will receive these payments even if the farm is small and does not produce anything nor meet EU sanitary standards. Of significant importance to Polish farmers is the fact that the EU will finance 50 percent of the cost of modernization of farms. FAS/Warsaw is aware of several enterprises that have taken advantage of this financial assistance. This is a result of the EU spending nearly half of its budget on the agriculture sector.

The newspaper article and the EC report also contend that small farms will benefit greatly. Most of Poland's small dairy and livestock farms do not meet EU sanitary standards. None the less, they will benefit from a direct payment of 500 PLN (\$1=3.95PLN) per hectare of arable land per annum courtesy of the EU just as the large and medium scale farmers will. The report prepared by the EC projects that there will be increases in agricultural production, supply, and demand that will support a significant increase in income over a period 2003-2010. The EC report also suggests that prices for most goods will rise and will be more stable than they were prior to Poland's EU accession. For example, they suggest that cycles of sudden price changes for hogs will be a thing of the past. In addition, higher sales are forecast, as all barriers for the export of Polish food products to the EU will no longer exist.

According to the authors of the EC report, poultry producers should also benefit significantly as prices are projected to increase as much as 10 percent with a gradual increase in exports. The report's authors predict that exports of Polish poultry will rise from 100,000 tons to 500,000-600,000 tons per year. These projections have not been corroborated by the Polish government's economists, as there are no official projections available to the public.

However, according to an article in the May 25, 2004, issue of Poland's *Gazeta Wyborcza*, also a major daily newspaper, the price of poultry, pork, and beef have increased significantly as demand from the EU -15 has increased exponentially since Poland's May 1, 2004, EU accession. Specifically, Polish beef procurement (live weight) prices have increased 30 percent, however, retail prices for beef have risen only 10-15 percent comparatively which reflects consumer price sensitivity by retailers. Pork procurement prices have risen 30 percent (live weight) a level similar to prices in Germany. Prices may increase further as the current hog cycle has caused reduced supplies. As for poultry, prices have increased for white meat about 20 percent while dark meat prices have remained constant.

On the other hand, a contact at the Polish Institute of Rural Economics indicated that the European Commission's projected increases in exports are not realistic and that the increases will be more modest than suggested in the EU report. This contact indicated that exports might be doubled as a result of accession, however, there are no clear indications that exports will increase four times the current level.